Xellia Pharmaceuticals ApS

CVR no. 61 09 46 28

Dalslandsgade 11, DK-2300 Copenhagen S

Annual report for 2023

Adopted at the annual general meeting on

DocuSigned by:
Søren Hostrup
8E6B99FF06874B2...

Søren Hostrup
chairman

Table of contents

Statement by management on the annual report

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Xellia Pharmaceuticals ApS for the financial year January 1 – December 31, 2023.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the company's financial position at December 31, 2023 and of the results of the company's operations for the financial year January 1 - December 31, 2023.

In our opinion, Management's review includes the required description and information about significant changes in the year in accordance with Danish Financial Statements Act.

Management recommends that the Annual Report should be approved at the general meeting.

Copenhagen, May 14, 2024

Executive Board:

DocuSigned by:
Michael Kocher
Chief Executive Officer

Board of Directors:

DocuSigned by:
Søren Hostrup
chairman

DocuSigned by:
Michael Kocher

DocuSigned by:
Bente Schmidt Nielsen

DocuSigned by:
Thomas Guldager

DocuSigned by:
Lars Beck Madsen

DocuSigned by:
Martin Beck

Independent Auditor's Report

To the Shareholder of Xellia Pharmaceuticals ApS

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at December 31, 2023, and of the results of the Company's operations for the financial year January 1 - December 31, 2023 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Xellia Pharmaceuticals ApS for the financial year January 1 - December 31, 2023, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("financial statements").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the financial statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of Management's Review.

Management's Responsibilities for the Financial Statements

Management is responsible for the preparation of Financial Statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Independent Auditor's Report

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

Independent Auditor's Report

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Copenhagen, May 14, 2024

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR no. 33 77 12 31

DocuSigned by:
Torben Jensen
Torben Jensen
State Authorised Public Accountant
mne18651

DocuSigned by:
Allan Knudsen
Allan Knudsen
State Authorised Public Accountant
mne29465

Company details

The company	Xellia Pharmaceuticals ApS Dalslandsgade 11 DK-2300 Copenhagen S	
	Telephone:	+45 32 64 55 00
	Website:	www.xellia.com
	CVR no.:	61 09 46 28
	Reporting period:	January 1 - December 31
	Domicile:	Copenhagen
Board of Directors:	Søren Hostrup, chairman Michael Kocher Bente Schmidt Nielsen Thomas Clement Guldager Lars Beck Madsen Martin Bech	
Executive Board:	Michael Kocher	
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Strandvejen 44 DK-2900 Hellerup	
Consolidated financial statements	The company is included in the Group Report of Novo Nordisk Fonden. The Group Annual Report of Novo Nordisk Fonden may be obtained at the following address: Novo Nordisk Fonden, Tuborg Havnevej 19, DK-2900 Hellerup	
Parent Company	The company's parent company is Xellia Group ApS, Denmark. The ultimate owner of Xellia Group ApS is Novo Nordisk Fonden.	

Group chart

Parent Company

Xellia Pharmaceuticals ApS,
Copenhagen, Denmark
Nom. TDKK 201,000

Subsidiaries

100%	Xellia Pharmaceuticals Ltd., Budapest, Hungary Nom. THUF 5,260,200
100%	Nippon Axellia Co. Ltd., Tokyo, Japan Nom. TJPY 10,000
100%	Xellia Pharmaceuticals Inc., Buffalo Grove, Illinois, USA Nom. TUSD 240,000
100%	Xellia Hong Kong Limited, Hong Kong, Hong Kong Nom. THDK 10
100%	Xellia d.o.o., Zagreb, Croatia Nom. TEUR 3
100%	Xellia Pharmaceuticals Private Ltd., Bangalore, India Nom. TINR 100
100%	Xellia Pharmaceuticals Shanghai Co., Ltd., Shanghai, China Nom. TCNY 1,913

Branches

100%	Xellia Pharmaceuticals ApS, (Dubai Branch), Dubai, United Arab Emirates
100%	Xellia Pharmaceuticals ApS, (Panama Branch), Panama

Financial highlights

Seen over a 5-year period, the development of the Company may be described by means of the following financial highlights:

	2023	2022	2021	2020	2019
	MDKK	MDKK	MDKK	MDKK	MDKK
Key figures					
Revenue	1,987	2,245	1,622	2,043	2,346
Profit/loss before amortisation/depreciation and impairment	-910	-218	-465	-45	470
Net financials	-1,455	-103	-16	18	60
Profit/loss for the year	-2,385	-371	-503	-116	391
Balance sheet					
Non-current assets	782	2,389	2,424	2,384	1,048
Current assets	1,323	1,071	1,310	1,707	1,603
Balance sheet total	2,105	3,460	3,734	4,091	2,652
Equity	-598	1,751	2,083	2,621	1,391
Provisions	121	55	63	79	80
Long-term debt	538	560	680	699	562
Short-term debt	2,043	1,095	909	691	618
Financial ratios					
EBIT margin	-60%	-17%	-34%	-8%	16%
Gross margin	-32%	10%	-3%	19%	37%
Return on assets	-43%	-11%	-14%	-5%	15%
Solvency ratio	-28%	51%	56%	64%	52%
Return on equity	-414%	-19%	-21%	-6%	33%
Average number of employees	650	648	640	624	623
Investment in tangible assets	135	139	108	92	102

The financial ratios are calculated in accordance with. The definitions described under accounting policies.

Management's review

Business review
Xellia Pharmaceuticals ("Xellia") is a specialty pharmaceutical company developing, manufacturing, and commercializing anti-infective treatments against serious and often life-threatening bacterial and fungal infections.

Xellia is a global leader in providing anti-infective treatments and other critical care therapies for serious and often life-threatening conditions. Xellia has an extensive history in developing, manufacturing, and commercializing anti-infective products, including Active Pharmaceutical Ingredients (APIs) as well as Finished Dosage Forms (FDF), where the majority are injectable drug products. As an organization, Xellia is committed to providing security and consistency of supply of critical care therapies. Through a global vertically integrated supply chain, the company continuously works to improve supply security through multiple sources of in-house production of its APIs and drug products, and in conjunction through working alongside Xellia's R&D center. Supplying products to more than 70 countries worldwide and with more than 500 customers internationally, Xellia is the leading supplier of the important anti-infectives vancomycin, daptomycin, bacitracin, and colistimethate sodium (CMS).

Through innovation and with the patient in focus, Xellia is building a pipeline of value-added critical care therapies which aim to enhance patient care by providing convenience and ease of use for healthcare professionals. Headquartered in Copenhagen, Denmark, Xellia has a global footprint with manufacturing, R&D and commercial operations across Europe, Asia, the Middle East and North America. Xellia's four manufacturing facilities located in; China, Denmark, Hungary, and in the U.S. Xellia operates according to current Good Manufacturing Practice (cGMP), and Xellia's facilities have been inspected by relevant regulatory health authorities, including the U.S. Food and Drug Administration (FDA).

Xellia operates via two pillars, Global Anti-Infectives ('GAI') and US Injectables ('USI'), which are defined by sales channels. Both businesses are supported by the quality assurance, supply and distribution, and R&D teams. The Global Anti-infective unit includes B2B (business to business) sales in all geographic markets and oversight of the three plants in Denmark, Hungary and China. In addition to supporting current customers, the GAI organization works to introduce the company's core product portfolio into new markets – where primary focus is on China, the Middle East and Latin America. The US Injectables business encompasses the handling of all sales in the US institutional market and the day-to-day responsibility for US subsidiary production plant. The business unit is focused on the launch and commercialization of Xellia's own branded specialty injectable anti-infective medicines and generic products to the US institutional markets and also overseeing contract manufacturing operations for the US market.

Xellia is wholly owned by Novo Holdings A/S and employs a dedicated team of more than 1,700 full-time employees.

Further information about Xellia can be found at:
www.xellia.com

Recognition and measurement uncertainties
The recognition and measurement of items in the Annual Report is not subject to material uncertainties that could significantly impact the Annual Report.

Management's review

Financial review
The company's income statement for the year ended December 31, 2023, shows a net loss of MDKK 2,384.9, and the balance sheet at December 31, 2023, shows a negative equity of MDKK -597.8.

Investments
In 2023, Xellia invested MDKK 3 in intangible assets and MDKK 134.6 intangible assets mainly to maintain and upgrade current production facilities and to meet compliance requirements.

Uncertainties relating to going concern
After recognition of the 2023 loss, the Equity is negative and totals MDKK -597.8, as of December 31, 2023.

The parent company New Xellia Group A/S has issued a Letter of support to which the parent company will provide any support necessary for Xellia Pharmaceuticals ApS to fulfil its obligations until December 31, 2025.

Based on the circumstances described above, the financial statements are prepared by the Management on the basis that Xellia Pharmaceuticals ApS is a going concern.

Subsequent events
After the balance sheet date, the following significant subsequent events occurred in the period between the end of the financial year and the Board of Directors' adoption of the annual report.

The parent company, New Xellia Group A/S, and the owner, Novo Holdings A/S, have concluded an amendment to the loan agreement with the lenders to postpone delivery of compliance certificate pursuant to the loan agreement.

The company's knowledge resources if of particular importance to its future earnings
Xellia is committed to providing anti-infective treatments and other critical care therapies for serious and often life-threatening conditions. Customers depend on Xellia for reliable supply and consistent quality, and to exemplify responsible manufacturing, production, and research and development that promote long-term sustainability. Xellia's strong market position is built on more than 120 years of pharmaceutical industry experience, and with the patient in focus, Xellia is building a pipeline of value-added critical care therapies which aim to enhance patient care by providing convenience and ease of use for healthcare professionals. Xellia has a dedicated focus on leadership, where management believe in distributed empowerment and leadership to drive success. There is a high concentration on ensuring collaboration across functions and sites, in order to foster empowerment amongst the leaders to achieve targets.

Management's review

Development in activities and financial position
Both revenue and net result decreased for the year (ended December 31, 2023) compared to 2022. The company achieved revenue of MDKK 1,987 (2022 MDKK 2,245). The company experienced a decrease in revenue, profitability, and net result, as a result of decreased volumes delivered during 2023 due to lower demand from customers. The net result is further impacted by impairment losses on tangible assets of MDKK 210 and impairment losses on investments in subsidiaries of MDKK 1,453.

The company's US subsidiary's production facility is commercially operational, however production of commercial products is limited and therefore limited income has been generated. One of the US production lines was impaired due to limited expectations of future income from this line. The investment in the US subsidiary has been impaired.

Outlook
Xellia expects to see a single digit percentage point decrease in revenue in 2024, mainly driven by lower volumes sold. Profitability will be negatively affected in 2024 due to the expected lower volumes delivered in 2024 however offset with one-time cost in 2023 a profit/loss before tax on level with 2023 is expected.

Longer term, Xellia will continue to drive its refined business plan based on the underlying strengths of its businesses, especially our expertise in anti-infectives as well as the geographic reach of our anti-infective business. Initiatives to lower cost and thereby improve profitability have been initiated and are expected to be effective in 2024 and future years.

Profit/(loss) for the year relative to the expectations most recently expressed
The 2023 financial performance was significantly below expectations, with decreased revenue and profitability compared to the expected single digit point increase. The net result for the year was unacceptable with a net loss of MDKK 2,384.9 (2022: loss of MDKK 371.5).

Special risks apart from generally occurring risks in industry
Operating risks
The company experience price pressure in the market and competition from manufacturers in Asia.

Currency risks
The company has significant activities in foreign currencies and is affected by trends in USD and HUF exchange rates. The company's currency policy is to hedge expected net cash flow risk from those currency exposures.
The hedging is made by forward exchange contracts in USD and HUF for the next 12 - 30 months.

Management's review

Statutory statement regarding ESG in accordance with section 99a of the Danish Financial Statements Act
Xellia aims to become a sustainable enterprise that contributes positively to society and collaborates closely with essential stakeholders to tackle worldwide issues. Sustainability is ingrained across every aspect of our value chain.

We are dedicated to conducting business in a responsible manner, working to minimize our environmental footprint through responsible manufacturing practices. Ensuring patient and product safety remains paramount, upheld through rigorous quality standards and safe production protocols. Ethical business conduct is fundamental, as well as safeguarding human rights by maintaining safe working environments, combating corruption, and promoting fair labor practices across all Xellia sites within the supply chain.

Xellia annually publishes its Sustainability Report where you may find elaborated description of how we work with ESG supported by 2030 long-term targets and KPI’s within environment, social and governance.

Business model
Xellia is a world-leading provider of amphotericin B, vancomycin and CMS and other important anti-infectives, including bacitracin, daptomycin, and polymyxin B. While the majority of FDFs in our portfolio are sterile injectables, we also support the development of other formulations for our key products to maximize customer value and meet patient needs.

Xellia aims to be the preferred partner for the global supply of critical care anti-infectives to the pharmaceutical industry by providing a unique and reliable service level to its customers.

We support a wide variety of customers spread across branded, specialty and generic pharmaceutical companies. Our customers rely on us to provide a consistent and robust supply of quality products, thereby protecting their reputation and patients. The success of our business is based on customer satisfaction and loyalty, demonstrated by long-standing and multi-product repeat orders. We build strong and lasting relationships with our broad customer base by providing excellent quality, compliant records and service through our dedicated global customer service and technical support teams. Our outstanding technical services team, for example, works closely with customers to help them develop and register their products for market entry and resolve technical challenges to support business continuity and growth. In addition to supporting current customers, we have been working to introduce our core portfolio into new markets. Our primary focus for new market entry has been China, the Middle East and Latin America, where we see a significant unmet need.

Xellia’s work with environment and climate change
Risks related to environment and climate change:

A large amount of our energy consumption and related carbon emissions comes from manufacturing our critical care products. To lower our negative environmental impact, we continually explore opportunities to minimize our environmental footprint and implement sustainable approaches across our sourcing, manufacturing, and development processes.

Management's review

Our approach to working with environment and climate change:

Xellia strives to be a sustainable business always looking at how we can reduce our negative impact on the environment and find sustainable solutions in our sourcing, manufacturing, and development practices.

Activities and results obtained in the reporting period regarding environment and climate change:

In 2023 Xellia has continued to increase the amount of electricity purchased from renewable sources to achieve the 2030 target of purchasing 75% of our electricity consumption as carbon neutral. Similarly, we have worked to reduce our amounts of waste disposed working towards our target of preventing, reusing and recycling 50% of our waste by 2030.

Examples of projects completed include:

- Taizhou collaboration with a cement manufacturer enabled the repurposing of 187.17 tons of fermentation sludge as clinkers in cement kilns. This innovative approach to waste management not only addresses the challenge of waste disposal but also contributes to sustainable practices by maximizing resource efficiency.
- Cleveland collaborated with another company to repurpose 31 expired virgin sodium hydroxide drums in the amount of 13,440 pounds. This initiative contributed to Xellia's commitment to circular economy, sustainable waste management practices and responsible resource utilization.
- Budapest exceeded the 10% reduction target in steam usage, achieving a 19% decrease through various initiatives.
- Copenhagen has introduced a new maintenance strategy for refrigerants used in freeze dryers, cooling units, and other systems. Additionally, high-GWP HFC gases have been replaced with low-GWP natural refrigerants in multiple systems. These efforts have led to a significant reduction of 69% in CO_2 emissions from cooling gases compared to 2022.

Further, through careful evaluation and assessment by EcoVadis, our company's dedication to sustainability across various dimensions, including environmental performance, labor and human rights, ethics, and sustainable procurement, has been recognized and validated. This certification underscores our ongoing efforts to integrate sustainability into our core business practices and demonstrates our dedication. We remain committed to advancing our sustainability initiatives for a brighter and more sustainable future.

Expectations for the work related to environment and climate change going forward:

Xellia has committed to long term targets towards 2030, thus, we expect to maintain our high focus on lowering our negative environmental and climate change impact in the years to come.

Xellia's work with social and employee issues
Risks related to social and employee issues:

As a producer of important anti-infective drugs, highlighting the criticality of AMR (anti-microbial resistance) is key to Xellia. Patient advocacy is also an important area of focus, alongside supporting our safe, healthy workplace to ensure our ability to attract the best candidates for our company.

Management's review

Our approach to working with social and employee issues:

As a producer of important anti-infective drugs, it is pivotal that Xellia follows responsible business practices and highlights the criticality of AMR – both externally and internally. At Xellia, we continually work to provide a healthy, secure and safe working environment for our employees, and we are determined to maintain high health and safety standards to reduce the risk of accidents.

Activities and results obtained in the reporting period regarding social and employee issues:

In 2023, Xellia reaffirmed its commitment to sustainability by updating its Sustainability Policy to include a focus on water quality. Recognizing the potential impact of manufacturing activities on aquatic environments, Xellia pledges to ensure that its operations have no adverse effects on water quality. Effluents from manufacturing processes undergo treatment in accordance with local regulatory standards, employing both on-site and off-site mechanical-biological treatments. The ratio of the API load to surface water (predicted environmental concentration, PEC) to the predicted no effect concentration (PNEC) shall be below 1 (PEC/PNEC<1), with the concerned PNEC value retrieved from a scientifically sound and reliable approved source.

Actively engaging in collaborative efforts, Xellia is a proud member of both the AMR Industry Alliance and Medicines for Europe. Through these alliances, Xellia collaborates with peers to address critical public health issues and advocates for effective strategies to combat AMR. By participating in advocacy efforts, Xellia contributes to raising awareness and driving action towards mitigating the impact of AMR on global health.

Also in 2023, patient advocacy remained a key focus for Xellia, firstly in raising awareness of sepsis and around the supply challenges that are disrupting access to medicines. Xellia is in its fourth year as a partner of the Sepsis Alliance.

In 2023, teams at all sites focused on high-risk and high-exposure programs. These initiatives integrated safe manufacturing and industry best practices. Specific projects included:

- Fall protection engineering enhancements including installations and improvements to guardrails, anchor points, swing gates, fixed ladders, and fall arrest systems were implemented in Budapest and Cleveland to further reduce risk for those employees and contractors working at height. Both sites have also focused in on their lockout tagout programs, updating programming to cover applicable equipment and procedures for the isolation of hazardous energy.
- Taizhou conducted fit tests for those utilizing respirators and masks to ensure adequate protection. The tests were coupled with employee training and education regarding respirator selection, fit, and use.
- Budapest installed new gas detection and alarm systems for solvents and oxygen. The site also began using ATEX containers in an improved and expanded warehousing area designated for hazardous materials.
- Copenhagen replaced a manual glass washing process by investing in a "panini" device. This change improved the ergonomic factors of the task by prevention through design, as well as reduced exposure to occupational injury by diminishing the duration of time and number of people previously required to complete the task.

Management's review

Expectations for the work related to social and employee issues going forward:

AMR, patient advocacy and a healthy workplace continue to be important focus areas in years to come.

Xellia's work with human rights (responsible sourcing, diversity, inclusion and belonging)
Risks related to human rights (responsible sourcing, diversity, inclusion and belonging):

As a truly international company, at Xellia we benefit from a diverse and multicultural workforce, with sites located in the United States, Denmark, Norway, Hungary, Croatia, China, India, Japan and the United Arab Emirates. Further, to be a sustainable business, it is important for us to develop and maintain ethical supplier relationships, ensure ethical working conditions and protect human rights in our supply chain.

Our approach to working with human rights (responsible sourcing, diversity, inclusion and belonging):

Diversity and equal opportunities for all are key to our success. We have an integrated, open and transparent culture built on mutual respect, trust and accountability. We benefit from a diverse and multicultural workforce across the Xellia sites. All employees in Xellia are responsible for treating each other with dignity and respect. This is integrated in our values and is included in our Code of Conduct. One of our long-term sustainability goals is to achieve greater gender equality by ensuring a representation of >45% women for all managers, HIPOs and successors.

Activities and results obtained in the reporting period regarding human rights (responsible sourcing, diversity, inclusion and belonging):

In 2023, the Xellia Group employed a total of 1,850 individuals, consisting of 788 females and 1,062 males, representing 42.6% and 57.4% of the workforce respectively. The gender distribution has a slight increase compared to 2021, where 42.4% employee were female. Among people managers, there were 104 females and 188 males, comprising 35.6% and 64.4% of the leadership respectively.

In 2023, our company took significant steps to raise awareness about important issues such as gender equality, unconscious bias, and LGBTQI+ rights. At Xellia, we strongly believe in the right of every individual to bring their whole selves to work.

In 2023, Xellia embarked on its EHS (Environment, Health, and Safety) and Sustainability audit program, aligning with the framework established by the Pharmaceutical Supply Chain Initiative (PSCI). As a committed advocate for ethical business practices, we recognize the paramount importance of fostering transparent and sustainable relationships with our suppliers. Upholding ethical labor standards and safeguarding human rights throughout our supply chain remains central to our corporate values. Actively participating in PSCI, Xellia collaborates with industry peers to champion transparency and advance responsible supply chain practices.

Building upon our commitment, in 2022, Xellia introduced the Xellia Responsible Sourcing policy, underpinning our dedication to ethical business conduct. Our objective is to assess the sustainability maturity of our key suppliers and diligently monitor their alignment with our Responsible Sourcing Policy. Through these initiatives, we strive to cultivate a supply chain characterized by integrity, sustainability, and social responsibility.

Management's review

Expectations for the work related to human rights (diversity, inclusion and belonging) going forward:

Diversity, inclusion, belonging and responsible sourcing in close collaboration with our suppliers continue to at the center of our values and priorities in efforts in coming years.

Xellia's work with anti-corruption
Risks related to anti-corruption:

Xellia operates in countries where there is risk of being exposed to corruption and general violations of our Code of Conduct and policies.

Our approach to working with anti-corruption:

At Xellia, we value integrity and openness, and we are committed to full compliance in all areas of our business. Based on this, we expect that no Xellia employee or a third party working on behalf of Xellia will participate in bribery or corruption under any circumstances. We receive the same expectation from our customers, our owners, and legislators around the world. Xellia's anti-bribery compliance program aims to ensure compliance with applicable laws and regulations, covering amongst others, the following areas: interactions with healthcare professionals and healthcare organizations, sales and marketing of our products, third party management and risk screenings, and gifts and hospitality. This includes periodic risk assessments and due diligence procedures for agents and other certain businesses. All relevant employees receive regular training in the compliance program and training in anti-bribery and anti-corruption is part of our Code of Conduct training.

Xellia's Whistleblower System substantiates and supports Xellia's commitment to ensuring responsible and ethical business behavior and compliance with laws in accordance with Xellia's Code of Conduct. Through this system, Xellia encourages employees and third parties to report any concerns and aims to increase the likelihood of early detection of possible serious illegal or unethical misconduct, whereby Xellia will be better equipped to minimize the damages of such wrongdoing and to establish the right preventive measures.

Activities and results obtained in the reporting period regarding anti-corruption:

In 2023, 100% of our employees have received training in our Code of Conduct including our zero tolerance towards bribery and corruption.

Any alleged or suspected cases, where the guidelines may have been violated, have been investigated by our appointed compliance function, as stated in the Whistleblower System Policy.

Expectations for the work related to anti-corruption going forward:

Xellia will continue with periodic risk assessments, due diligence procedures, and employee training and regularly assess if further activities are required.

Management's review

Statutory statement regarding the underrepresented gender in accordance with section 99b of the Danish Financial Statements Act

In 2023 overall, the Xellia Group had a total of 1,850 employees: 788 females and 1,062 males (42.6% and 57.4% respectively). The percentage of females remained consistent compared to 2022, where 42.7% of the workforce were female.

Xellia is committed to building a workforce that is represented by both genders across all management levels, managerial positions, talent pools and succession lists. In 2020 a Global Gender Diversity Team was formalized with representatives from across all group sites and held awareness training for leaders on unconscious bias to help overcome stereotypes and outdated beliefs. Xellia will actively embark on further strategic initiatives to continuously improve the gender diversity ratios throughout Xellia.

In 2023, our company took significant steps to raise awareness about important issues such as gender equality, unconscious bias, and LGBTQI+ rights. At Xellia, we strongly believe in the right of every individual to bring their whole selves to work.

Throughout the year, we actively recognized events like International Women’s Day and Women and Girls in Science, highlighting our dedication to scientific progress and inclusivity. With our focus on developing critical-care anti-infectives, we greatly value the contributions of our talented female colleagues across various departments. We facilitated meaningful conversations, like "Women in Leadership," where employees could openly discuss the topics of equity and inclusion. These discussions encouraged a culture of acknowledgment and action, ensuring a fair and supportive workplace for everyone.

Xellia does expect to see the percentage of female managers to increase further in 2024 due to the initiatives.

Gender diversity targets

Xellia has obtained equal representation on the Board of Directors.

On other management levels, the target was not achieved in 2023 due to no positions came up as vacant during the year.

	2023
Total members of the Board of Directors	4
Underrepresented gender, percentage	25%
Target	N/A
Year for target to be reached	N/A
Total members of other management levels	25
Underrepresented gender, percentage	36%
Target	40%
Year for target to be reached	2028

Management's review

Statutory statement regarding data ethics in accordance with section 99d of the Danish Financial Statements Act

Xellia has implemented policies and procedures related to the EU General Data Protection Regulation (GDPR) in all areas, which are supported by training on our policies. The Xellia Data Privacy Policy sets out roles, responsibilities, and requirements when processing personal data for the purpose of ensuring compliance with the GDPR and EU Member States' data protection legislation.

Further, the Xellia Data Ethics Policy, also included in the Xellia Sustainability Policy, applies to all forms of data processing and describes how data ethics are considered and included in the use of data and design and implementation of technologies, especially new technologies, used for processing data within Xellia. The policies apply to all employees at Xellia Pharmaceuticals (New Xellia Group A/S and its subsidiaries).

Our data ethical values:

• We work with data minimization and data protection by design and default when we develop new products.
• We strive to ensure that our use of data is not discriminatory towards, for example, gender, ethnicity, or communities.
• We work with data in an open and transparent manner.
• We strive to ensure that data is not used in a way that misleads customers.
• We strive to ensure that our users get as much value as possible out of the data we collect.
• We are conscious that the data we collect can be of use for some, a burden for others, and be misused unintentionally.
• We strive to ensure diversity in our staff with data expertise – in terms of skills, environment, and background.
• We strive to ensure that we possess the necessary competencies to handle data ethical dilemmas.
• We strive to ensure that our partners process data the way we would ourselves in compliance with the GDPR and our standards.

During 2023 Xellia has continued to train and inform key employees about its data ethics policy. In 2023 there has been no cases or need for decisions regarding data to be used for different purposes than they were intended for.

Income statement January 1 - December 31

	Note	2023	2022
		TDKK	TDKK
Revenue	2	**1,986,816**	**2,245,303**
Cost of Sales		-2,627,025	-2,013,037
Gross profit		**-640,209**	**232,266**
Distribution costs		-80,230	-112,014
Administrative costs		-247,670	-267,904
Research and development costs		-218,927	-237,602
Other operating income/expenses	3	0	-203
Profit/loss before financial income and expenses		**-1,187,036**	**-385,457**
Income from investments in subsidiares		12,912	14,775
Impairment losses on investments in subsidiaries	10	-1,453,052	0
Financial income	4	54,806	16,351
Realized loss on disposal of associate		0	-242
Financial expenses	5	-69,370	-133,797
Profit/loss before tax		**-2,641,740**	**-488,370**
Tax on profit/loss for the year	6	256,839	116,884
Net profit/loss for the year		**-2,384,901**	**-371,486**
Distribution of profit	7		

Balance sheet December 31

	Note	2023	2022
		TDKK	TDKK
Assets			
Technology and development projects		9,575	13,109
Rights and licenses		76,911	85,273
Goodwill		0	415
Software		18,249	26,751
Intangibles under construction		8,404	8,347
Intangible assets	8	**113,139**	**133,895**
Land and buildings	9	59,211	54,284
Plant and machinery	9	232,339	227,039
Fixtures and fittings, tools and equipment	9	27,838	25,239
Property, plant and equipment under construction	9	144,474	290,517
Property, plant and equipment		**463,862**	**597,079**
Investments in subsidiaries	10	205,324	1,658,376
Fixed asset investments		**205,324**	**1,658,376**
Total non-current assets		**782,325**	**2,389,350**
Raw materials		74,755	50,852
Work in progress		215,216	166,703
Finished goods		283,063	281,713
Inventories		**573,034**	**499,268**
Trade receivables		199,654	275,882
Receivables from group companies		256,994	158,335
Other receivables		124,593	103,660
Corporation tax		138,251	0
Prepayments	11	29,899	33,429
Receivables		**749,391**	**571,306**
Cash at bank		**252**	**323**
Total current assets		**1,322,677**	**1,070,897**
Total assets		**2,105,002**	**3,460,247**

Balance sheet December 31

	Note	2023	2022
		TDKK	TDKK
Equity and liabilities			
Share capital		201,000	201,000
Reserve for development expenditure		4,868	6,354
Retained earnings		-831,897	1,551,518
Derivative		28,254	-8,197
Equity	12	**-597,775**	**1,750,675**
Provision for deferred tax	13	121,249	54,557
Total provisions		**121,249**	**54,557**
Mortgage loans		150,513	170,062
Lease obligations		1,310	593
Holiday allowance		42,184	41,170
Payables to group companies		313,629	324,205
Deferred income	16	14,236	9,960
Other payables		16,388	13,596
Total non-current liabilities	14	**538,260**	**559,586**
Short-term part of non-current liabilities	14	22,206	22,605
Trade payables		120,863	169,305
Payables to group companies		1,741,394	497,628
Deferred income	16	0	124,160
Corporation tax		0	114,011
Other liabilities	15	158,805	167,720
Total current liabilities		**2,043,268**	**1,095,429**
Total liabilities		**2,581,528**	**1,655,015**
Total equity and liabilities		**2,105,002**	**3,460,247**
Staff	17		
Uncertainties relating to going concern	18		
Subsequent events	19		
Contingent liabilities	20		
Financial instruments	21		
Related parties and ownership structure	22		
Fee to auditors appointed at the general meeting	23		

Statement of changes in equity

TDKK	Share capital	Reserve for development expenditure	Retained earnings	Derivative	Total
Equity at January 1, 2023	201,000	6,354	1,551,518	-8,197	1,750,675
Other equity movements	0	0	0	46,733	46,733
Net profit/loss for the year	0	-1,486	-2,383,415	0	-2,384,901
Tax on other equity movements	0	0	0	-10,282	-10,282
Equity at December 31, 2023	**201,000**	**4,868**	**-831,897**	**28,254**	**-597,775**

TDKK	Share capital	Reserve for development expenditure	Retained earnings	Derivative	Total
Equity at January 1, 2022	201,000	13,232	1,916,126	-47,623	2,082,735
Other equity movements	0	0	0	50,546	50,546
Net profit/loss for the year	0	-6,878	-364,608	0	-371,486
Tax on other equity movements	0	0	0	-11,120	-11,120
Equity at December 31, 2022	**201,000**	**6,354**	**1,551,518**	**-8,197**	**1,750,675**

Notes

1 Accounting policies

The Annual Report of Xellia Pharmaceuticals ApS for the period January 1 - December 31, 2023 have been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C.

The accounting policies applied are consistent with those of last year.

The Annual Report is presented in TDKK.

Basis of recognition and measurement
Income is recognized in the income statement as earned, including value adjustments of financial assets and liabilities. All expenses, including amortization, depreciation, and impairment losses, are recognized in the income statement.

Assets are recognized in the balance sheet when it is probable that future economic benefits will flow to the company and the value of the asset can be measured reliably.

Liabilities are recognized in the balance sheet when it is probable that future economic benefits will flow from the company and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. On subsequent recognition, assets and liabilities are measured as described below for each individual accounting item.

Certain financial assets and liabilities are measured at amortized cost using the effective interest method. Amortized cost is calculated as the historic cost less installments and plus/less the accumulated amortization of the variance between the cost and the nominal amount.

On recognition and measurement, allowance is made for predictable losses and risks which occur before the Annual Report is presented and which confirm or invalidate matters existing at the balance sheet date.

Subsidiaries
Consolidated financial statements
With reference to the Danish Financial Statements Act section 112, paragraph 1, no. 2 consolidated financial statements have not been prepared.

Income statement

Segment information
Information on geographical markets and business segments are based on the companys' risks, profile and data in internal financial reporting systems. Geographical markets are regarded as the primary segments.

Segment assets comprise assets that are used directly in the segment's revenue-producing activities.

Notes

1 Accounting policies

Segment liabilities comprise liabilities resulting from the segment's operations, including trade payables and other payables.

Revenue

Revenue is derived from contracts with customers through the production and transfer of products across various product categories and within several geographical regions. Revenue is recognized in the income statement when the performance obligation is satisfied, and when all obligations stated in the contract are fulfilled. This is defined as the point in time when control of the products has been transferred to the buyer. The transfer of control to customers takes place according to trade agreement terms, Incoterms, and can vary depending on the customer or the specific trade.

Sales are measured at the fair value of the consideration received or receivable. When sales are recognized, the company records estimates for a variety of sales deductions, including product returns, rebates, and discounts. Sales deductions are recognized as a reduction of gross sales to arrive at net sales, by assessing the expected value of the sales deductions (variable consideration).

The company has entered into agreements with customers where the customer undertakes sales to third parties and the profit is distributed between the customer and the company based on a predetermined formula.

Income from sales & usage-based registration rights, royalties, licenses or similar are recognized as revenue when the company has fulfilled its performance obligation.

Cost of Sales

Cost of sales comprise the cost of goods sold. Cost includes the cost of raw materials, transport costs, consumables, and goods for resale, direct labor, and indirect costs of production, including operating costs, amortization, depreciation and impairments relating to manufacturing facilities, equipment, production related technology and amortization and impairments of development projects related to the company’s product portfolio. Cost of sales includes expenses in connection with quality assurance of products and any write-down to net realizable value of unsalable or slow-moving items.

Other operating income/expenses

Other operating income/expenses comprise items of a secondary nature relative to the company's activities.

Distribution costs

Distribution costs comprise costs in the form of salaries to sales and distribution staff, advertising, and marketing expenses as well as depreciation. Amortization of goodwill is included to the extent that goodwill relates to distribution activities.

Administrative costs

Administrative costs comprise expenses for management, administrative staff, office expenses and depreciation. Amortization of goodwill is included to the extent that goodwill relates to administrative activities.

Notes

1 Accounting policies

Impairment losses on investments in subsidiaries
Impairment losses comprise the impairment on subsidiaries companies.

Research and development costs
Research and development costs comprise costs relating to development projects that do not qualify for recognition in the balance sheet and amortization of capitalized development projects.

Financial income and expenses
Financial income and expenses are recognized in the income statement at the amounts that relate to the financial year. Net financials include interest income and expenses, financial expenses relating to finance leases, realized and unrealized capital/exchange gains and losses on securities, liabilities and foreign currency transactions and amortization of financial assets and liabilities.

Income from investments in subsidiares
Dividends from subsidiaries are recognized as income in the income statement when adopted at the General Meeting of the subsidiary.

Tax on profit/loss for the year
Tax for the year, which comprises the current income tax charge for the year and changes in the deferred income tax charge, is recognized in the income statement as regards the portion that relates to the profit/loss for the year.

Balance sheet

Intangible assets
Goodwill
Goodwill represents the excess of the cost of an acquisition over the fair value of the net identifiable assets of the acquired subsidiary at the date of acquisition. Customer relationships and technology acquired in a business combination are recognized at fair value at the acquisition date.

Software
Software represents is measured at cost less accumulated amortization and write-downs. Amortization is made on a straight-line basis over the expected useful life, which is three to five years. Depreciation amortization begins when the asset is ready for use.

Property, plant and equipment
Property, plant, and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition up until the time when the asset is ready for its intended use. In the case of assets under construction, cost comprises direct and indirect expenses for employee cost, materials, components, and contractors. Borrowing costs relating to both specific and general borrowing directly attributable to assets under construction with a lengthy construction period are recognized in cost during the construction period.

Notes

1 Accounting policies

Land and assets under construction are not depreciated.

Depreciation based on the cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Buildings	13-40 years
Plant and machinery	5-13 years
Fixtures and fittings, tools and equipment	3-13 years

Depreciation is recognized in the income statement as of cost of sales, distribution costs and administrative costs respectively.

Gains or losses on the disposal of property, plant and equipment are determined as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains or losses from the disposal of property, plant and equipment are recognized in the income statement as other operating income/expenses.

Right of use assets

Right of use assets are measured at cost less accumulated depreciation and impairment losses adjusted for any re-measurements of the lease liability where initial cost is equal to the initial amount of the related lease liability.

Depreciation is straight-line on basis of the underlying contracts which are 1-10 years.

Investments in subsidiaries

Investment in subsidiaries are recognized and measured at purchase price.

Dividends from subsidiaries are recognized as income in the income statement when adopted at the General Meeting of the subsidiary.

The carrying amounts are reviewed on an annual basis to determine whether there is any indication of impairment. If so, the asset is written down to its lower recoverable amount. The recoverable amount of the asset is calculated as the higher of net selling price and value in use.

Notes

1 Accounting policies

Technology and development projects and Rights and licenses

Technology and development projects are capitalized when the technology and development costs relate to new products or processes that are clearly defined and identifiable and the company can demonstrate a future economic benefit, the technical feasibility, sufficient resources, a future market, and the intention of completing the intangible asset and ability to use or sell it as well as measure reliably the expenditure attributable to the development. Furthermore, acquired technology and development assets, including milestone and upfront payments which are deemed to enhance the company's intellectual productions and sales rights are capitalized. Technology and development projects that do not fulfill these requirements are expensed. Ongoing development and technology projects are until finished classified as assets under construction.

Following the completion of the development work, development costs are amortized on a straight-line basis over the estimated useful life. The amortization period is usually five years.

Gains and losses on the disposal of development projects, patents and licenses are determined as the difference between the selling price less costs to sell and the carrying amount at the date of disposal. Gains or losses are recognized in the income statement as other operating income or other operating expenses, respectively.

Impairment of fixed assets

The carrying amount of intangible assets, property, plant and equipment and investments in subsidiaries and associates is tested for impairment, other than what is reflected through normal amortization and depreciation, on an annual basis.

Where there is evidence of impairment, an impairment test is performed for each individual asset or group of assets, respectively. The carrying amount of impaired assets is reduced to the higher of the net selling price and the value in use (recoverable amount).

The recoverable amount is the higher of an asset’s net selling price and its value in use. The value in use is determined as the present value of the expected net cash flows from the use of the asset or the group of assets and expected net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Inventories

Inventories are measured at cost using the FIFO method. Where the net realizable value is lower than the cost, inventories are recognized at this lower value.

The cost of goods for resale, raw materials and consumables comprises the purchase price plus delivery costs.

The cost of finished goods and work in progress includes the cost of raw materials, consumables, direct cost of labor and production.

Notes

1 Accounting policies

Production overheads include the indirect cost of materials, wages, and salaries as well as maintenance and depreciation of production machinery, buildings and equipment and expenses relating to plant administration and management.

The net realizable value of inventories is calculated as the expected selling price less. The net realizable value is determined considering marketability, obsolescence and expected selling price movements.

Trade receivables

Trade receivables are recognized at the invoiced amount less expected losses for amounts considered irrecoverable (amortized cost). Expected losses are measured as the difference between the carrying amount and the present value of anticipated cash flow. Expected losses are assessed on major individual receivables or in groups at portfolio level based on the receivables' age and maturity profile as well as historical records of losses. The calculated expected losses are adjusted for specific significant negative developments in geographical areas.

Payment terms are typically 30 - 45 days.

Other receivables and prepayments

Other receivables and prepayments are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

Receivables from group companies are measured at amortized cost, which is usually equivalent to nominal value.

Equity

Dividends

Proposed dividends are disclosed as a separate item under equity. Dividends are recognized as a liability at the date of declaration by the annual general meeting.

Capitalized development cost occurred from January 1, 2016 are reflected as a reserve in equity in accordance with the Danish Financial Act section 83.

Corporation tax

Corporation tax liabilities and corporation tax receivables are recognized in the balance sheet as the estimated income tax on the taxable income for the year, adjusted for tax on the taxable income for previous years and tax paid on account.

Deferred income tax is measured according to the liability method in respect of temporary differences between the carrying amount of assets and liabilities and their tax base, calculated based on the planned use of the asset and settlement of the liability, respectively.

Notes

1 Accounting policies

Deferred tax assets, including the tax value of tax loss carry forwards, are recognized at the expected value of their utilization; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity and jurisdiction.

Changes in deferred income tax due to changes to income tax rates are recognized in the income statement.

The Danish entities in the Group are jointly taxed with the Danish companies owned by Novo Holdings A/S. The joint taxation covers withholding taxes in the form of dividend tax, royalty tax and interest tax. The Danish companies are jointly and severally liable for the joint taxation. Any subsequent adjustments to income taxes and withholding taxes may lead to a larger liability. The tax for the individual companies is allocated in full on the basis of the expected taxable income.

Liabilities

Financial liabilities are recognized on the raising of the loan at the proceeds received net of transaction costs incurred. On subsequent recognition, the financial liabilities are measured at amortized cost, corresponding to the capitalized value, using the effective interest method. Accordingly, the difference between the net proceeds and the nominal value is recognized in the income statement over the term of the loan.

Other liabilities, which include financial liabilities, trade payables, payables to group entities and other payables, are measured at amortized cost, which is usually equivalent to nominal value.

Deferred income

Deferred income is recognized when the company receive advance payments for delivery of products or services and the performance obligation is satisfied in future.

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and at the date of payment are recognized in the income statement as financial income or financial expenses.

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognized in the latest financial statements is recognized in the income statement as financial income or financial expenses.

Derivative financial instruments

Derivative financial instruments are initially recognized in the balance sheet at cost and are subsequently measured at fair value. Positive and negative fair values of derivative financial instruments are included in other receivables and payables, respectively.

Notes

1 Accounting policies

Changes in the fair value of derivative financial instruments designated as and qualifying for recognition as a hedge of the fair value of a recognized asset or liability are recognized in the income statement together with changes in the fair value of the hedged asset or liability.

Changes in the fair value of derivative financial instruments designated as and qualifying for recognition as a hedge of future assets and liabilities are recognized in other receivables or other payables and in equity. If the forecast transaction results in the recognition of assets or liabilities, amounts previously recognized in equity are transferred to the cost of the asset or liability, respectively. If the forecast transaction results in income or expenses, amounts previously recognized in equity are transferred to the income statement in the period in which the hedged item affects profit or loss.

Changes in the fair value of financial instruments concerning loans that are designated and qualify as hedges of net investments in independent foreign subsidiaries are recognized directly in equity.

The fair value of derivative financial instruments is calculated using inputs, other than quoted priced observable marked data for the asset or liability, either directly or indirectly. This is level II of the fair value hierarchy.

As for derivative financial instruments that do not qualify for hedge accounting, fair value adjustments are recognized in the income statement on a current basis.

Cash flow statement

Pursuant to section 86 (4) of the Danish Financial Statements Act, the company has not prepared a cash flow statement. The financial statement of Xellia Pharmaceuticals ApS is included in the cash flow statement of the consolidated Annual Report of Novo Nordisk Fonden.

Notes

1 Accounting policies

Financial Highlights

Definitions of financial ratios.

EBIT margin	Profit/loss before financials x 100 / Revenue
Gross margin	Gross profit x 100 / Revenue
Return on assets	Profit/loss before financials x 100 / Total assets
Solvency ratio	Equity at year end x 100 / Total assets at year-end
Return on equity	Profit/loss from ordinary operations after tax x 100 / Average equity

Notes

		2023	2022
		TDKK	TDKK
2	**Revenue**		
	Revenue	1,986,816	2,245,303
	Total revenue	**1,986,816**	**2,245,303**
	Information on geographical segments		
	Europe	563,534	618,220
	North America	950,432	1,167,030
	South America	83,389	89,139
	Asia	367,401	350,618
	Other	22,060	20,296
	Total revenue	**1,986,816**	**2,245,303**
	Active Pharmaceuticals Ingredients - API	962,705	1,051,242
	Finished Dosage Forms - FDF	982,689	1,168,346
	Royalty	5,240	387
	License fee	16,098	6,853
	Profit Share	7,806	7,626
	Interest revenue	12,278	10,849
	Total revenue	**1,986,816**	**2,245,303**

The geographical distribution of API revenue is based on the country in which the goods are delivered and FDF revenue is based on the market of authorization.

3	**Other operating income/expenses**		
	Costs related to potential sale of Xellia	0	203
		0	**203**

Notes

		2023	2022
		TDKK	TDKK
4	**Financial income**		
	Interest received from group companies	129	145
	Other financial income	7,811	5,334
	Foreign exchange adjustments	46,866	10,872
		54,806	**16,351**
5	**Financial expenses**		
	Interest to group companies	58,620	15,517
	Other financial expenses	9,866	20,619
	Foreign exchange adjustments	884	97,661
		69,370	**133,797**
6	**Tax on profit/loss for the year**		
	Current tax on profit / loss for the year	-324,305	-104,157
	Change in deferred tax	66,827	-13,620
	Adjustments of tax prior years	12,609	1,003
	Adjustments of deferred tax prior years	-11,970	-110
		-256,839	**-116,884**
7	**Distribution of profit**		
	Transferred to other statutory reserves	-1,486	-6,878
	Retained earnings	-2,383,415	-364,608
		-2,384,901	**-371,486**

Notes

8 Intangible assets

	Technology and development projects	Rights and licenses	Goodwill	Software	Intangibles under construction	Total
Cost at January 1, 2023	233,221	371,257	21,156	103,492	329,540	1,058,666
Additions	0	0	0	0	2,997	2,997
Disposals	-4,218	0	0	-156	-8,675	-13,049
Transfers	0	0	0	2,940	-2,940	0
Cost at December 31, 2023	229,003	371,257	21,156	106,276	320,922	1,048,614
Amortization and impairment at January 1, 2023	220,112	285,984	20,741	76,741	321,193	924,771
Amortization	3,534	8,362	415	11,442	0	23,753
Disposals	-4,218	0	0	-156	0	-4,374
Reversal for the year of previous years' impairment losses	0	0	0	0	-8,675	-8,675
Amortization and impairment at December 31, 2023	219,428	294,346	21,156	88,027	312,518	935,475
Carrying amount at December 31, 2023	**9,575**	**76,911**	**0**	**18,249**	**8,404**	**113,139**
Useful lives	5-15 years	5-20 years	20 years	3-5 years		

Notes

9 Property, plant and equipment

	Land and buildings	Plant and machinery	Fixtures and fittings, tools and equipment	Property, plant and equipment under construction	Total
Cost at January 1, 2023	391,989	951,785	60,580	383,719	1,788,073
Additions	0	0	0	134,604	134,604
Disposals	-3,196	-14,415	-7,619	0	-25,230
Transfers	13,015	46,965	10,370	-70,350	0
Cost at December 31, 2023	401,808	984,335	63,331	447,973	1,897,447
Depreciation and impairment at January 1, 2023	337,705	724,746	35,341	93,202	1,190,994
Impairment	0	0	0	210,297	210,297
Depreciation	8,084	40,881	7,762	0	56,727
Disposals	-3,192	-13,631	-7,610	0	-24,433
Depreciation and impairment at December 31, 2023	342,597	751,996	35,493	303,499	1,433,585
Carrying amount at December 31, 2023	**59,211**	**232,339**	**27,838**	**144,474**	**463,862**
Useful lives	13-40 years	5-13 years	3-13 years		

The company has contractual obligations at December 31, 2023 regarding purchase of equipment's amounting to MDKK 0.4 (2022: MDKK 2.0)

Capitalization of interest related to tangible assets under construction in 2023 amounts to TDKK 7,858 (2022: TDKK 5,308). A capitalization rate of 7.63% in 2023 (2022: 2.85-6.88%) has been applied.

The residual value of the company's tangible assets are reviewed annually.

Management has decided to exclude certain assets under construction related to installed production equipment from future activities. Consequently, these assets under construction have been impaired.

Notes

		2023	2022
		TDKK	TDKK
10	**Investments in subsidiaries**		
	Purchase price at January 1	1,658,376	1,658,376
	Purchase price at December 31	1,658,376	1,658,376
	Revaluations at January 1	0	0
	Revaluations for the year, net	-1,453,052	0
	Revaluations at December 31	-1,453,052	0
	Carrying amount at December 31	**205,324**	**1,658,376**

Investments in subsidiaries are specified as follows:

Name	Registered office	Ownership interest	Equity	Profit/loss for the year
Xellia Pharmaceuticals Ltd. (HUF)	Hungary	100%	10,485,437	183,547
Nippon Axellia Co. Ltd. (JPY)	Japan	100%	59,554	5,191
Xellia Pharmaceuticals Inc. (USD)	USA	100%	286,499	7,223
Xellia Hong Kong Limited (HKD)	Hong Kong	100%	99,122	-1,790
Xellia d.o.o. (EUR)	Croatia	100%	11,127	1,406
Xellia Pharmaceuticals Private Ltd. (INR)	India	100%	148,040	35,305
Xellia Pharmaceuticals Shanghai Co., Ltd. (CNY)	China	100%	1,908	-4

Equity and profit/loss for the year are in functional currency.

11 Prepayments

Prepayments comprise prepaid expenses mainly third-party services, rent and insurance premiums.

12 Equity

There have been no changes in the share capital during the last 5 years.

Notes

		2023	2022
		TDKK	TDKK
13	**Provision for deferred tax**		
	Provision for deferred tax at January 1	54,557	62,669
	Change for the year	66,692	-8,112
	Provision for deferred tax at December 31	**121,249**	**54,557**
	Provisions for deferred tax on:		
	Intangible assets	27,163	12,576
	Property, plant and equipment	25,377	2,922
	Inventories	66,415	47,010
	Other taxable temporary variances	2,294	-7,951
		121,249	**54,557**

Notes

14 Non-current liabilities

	Non-current liabilities at Jan. 1, 2023	Non-current liabilities at Dec. 31, 2023	Instalment next year	Non-current liabilities after 5 years
Mortgage loans	170,062	150,513	20,833	59,283
Lease obligations	593	1,310	709	0
Holiday allowance	41,170	42,184	664	39,039
Payables to group companies	324,205	313,629	0	313,629
Deferred income	9,960	14,236	0	0
Other payables	13,596	16,388	0	0
	559,586	**538,260**	**22,206**	**411,951**

Xellia Pharmaceuticals ApS' land, buildings, plant and machinery and property, plant and equipment under construction are pledged in favour of the mortgage loan from Realkredit Danmark. Per December 31, 2023 total carrying amount of land and buildings including plant and machinery and property, plant and equipment under construction is MDKK 436.0.

The Senior Club Facility between the parent company New Xellia Group A/S and Xellia Pharmaceuticals ApS with Danske Bank and Nordea is subject to covenants. Net interest-bearing debt must not exceed equity including shareholder loans by more than 2 times and certain minimum EBITDA targets for the group must be met on a semi-annual basis commencing on June 30, 2023. Per December 31, 2023, the "Net interest-bearing debt to Equity" ratio is -10.0x and the ratio must be comprised between 0.0x and 2.0x to comply with the covenant for the Senior Club Facility. The group is therefore not in compliance with one financial covenant. The parent company, New Xellia Group A/S, and the owner, Novo Holdings A/S, have concluded an amendment to the loan agreement with the lenders to postpone delivery of compliance certificate pursuant to the loan agreement. Refer to note 19 and 20 for further information.

The borrowed amount is utilized and presented as borrowings by the parent company New Xellia Group A/S.

Notes

		2023	2022
		TDKK	TDKK
15	**Other liabilities**		
	VAT and other indirect taxes	0	2,323
	Wages/salaries, salary taxes, holiday allowance and social security contributions	68,119	70,064
	Other accrued expenses	90,687	88,163
	Derivative financial instruments liabilities	0	7,170
		158,806	**167,720**

16 Deferred income

The company entered into long-term contracts with customers, where the company received advance payments for delivery of products and other non-distinct performance obligations. Products and other performance obligations are to be delivered in 2024 and later.

The long-term contracts include financing elements. The interest rate used is equal to the company's borrowing rate at the commencement dates. The total amount of interest in deferred income for 2023 is TDKK 3,371 (2022: TDKK 14,386).

Notes

		2023	2022
		TDKK	TDKK
17	**Staff**		
	Wages and Salaries	432,495	449,733
	Pensions	51,347	47,520
	Other social security expenses	6,788	6,837
		490,630	**504,090**
	Wages and Salaries, pensions and other social security expenses are recognised in the following:		
	Cost of Sales	411,353	395,381
	Distribution costs	24,312	28,719
	Administrative costs	35,812	59,339
	Research and development costs	19,153	20,651
		490,630	**504,090**
	Number of fulltime employees on average	650	648

According to section 98B (3) of the Danish Financial Statements Act, remuneration to the Executive Board has not been disclosed.

18 Uncertainties relating to going concern

After recognition of the 2023 loss, the Equity is negative and totals MDKK -597.8 as of December 31, 2023.

The parent company New Xellia Group A/S has issued a Letter of support to which the parent company will provide any support necessary for Xellia Pharmaceuticals ApS to fulfil its obligations until December 31, 2025.

Based on the circumstances described above, the financial statements are prepared by the Management on the basis that Xellia Pharmaceuticals ApS is a going concern.

19 Subsequent events

After the balance sheet date, the following significant subsequent events have occurred in the period between the end of the financial year and the Board of Directors' approval of the annual report.

The parent company, New Xellia Group A/S, and the owner, Novo Holdings A/S, have concluded an amendment to the loan agreement with the lenders to postpone delivery of compliance certificate pursuant to the loan agreement.

Notes

20 Contingent liabilities

Pending disputes, litigations and claims

The company and subsidiaries are currently involved in pending disputes, litigations and claims arising out of the normal course of business. For the cases where the Xellia Group has an uncapped, infinitive indemnification right from the former owners of the Group, management has taken this into consideration in determining the appropriate provision. Management does not expect any pending disputes, litigations and claims to have a material impact on the company's financial position, operating profit, or cash flows.

The company is jointly taxed with the Danish companies owned by Novo Holdings A/S. The joint taxation covers withholding taxes in the form of dividend tax, royalty tax and interest tax. The Danish companies are jointly and severally liable for the joint taxation. Any subsequent adjustments to income taxes and withholding taxes may lead to a larger liability. The tax for the individual companies is allocated in full on the basis of the expected taxable income.

Contract condition

Xellia has commitments in contracts with some customers to pay for additional costs that the customers eventually will have in case that it is not possible for Xellia to deliver confirmed orders. The amount required to meet such commitments cannot be estimated.

Borrowings

In November 2022, the Group entered into a Senior Club Facility with Danske Bank and Nordea of 430,0 MUSD. The Senior Club Facility consist of a 230,0 MUSD committed term loan and 200,0 MUSD in committed revolving loan facility. The termination date is November 2025 with an option to extend the loan with 1+1 years subject to lender consent.

Per December 31, 2023 the Group has utilized the Senior Club Facility term loan of 230,0 MUSD and a revolving loan of 130 MUSD. The remaining available committed revolving loan amounts to 70,0 MUSD. The facility carries a floating margin based on Group performance + SOFR and CAS. Per December 31, 2023 the all-inclusive interest is 8,6 % p.a. of the drawn amount of the facility. In addition, the Group pays a commitment fee of any undrawn amount. Furthermore, the group has capitalized transaction cost and fees related to the Senior Club Facility which will be amortized over the period of the Senior Club Facility. As per end 2023, the capitalized transaction cost is 0,9 MUSD.

Notes

20 Contingent liabilities (continued)

In 2016, Xellia Pharmaceuticals ApS entered a mortgage loan of MDKK 240,0 with Realkredit Danmark covering the buildings and equipment owned by Xellia Pharmaceuticals ApS. In 2023, Xellia Pharmaceuticals ApS has repaid MDKK 20,8, and the mortgage principal was reduced to MDKK 172,6 by the end of 2023. Furthermore, Xellia Pharmaceuticals ApS has capitalized mortgage loan cost which will be amortized over the period of the mortgage loan. As per end 2023, the capitalized mortgage loan cost is MDKK 1,3.

The mortgage loan is based on a 15 year loan period. The initial 5 years are based on interest only followed by 10 years of annuity. The mortgage loan carries a rate which is hedged by a fixed interest rate at 1.126% p.a. for the whole loan period. In addition, Xellia pay a contribution fee of 0.725% p.a. to the mortgage institute.

The Group has one overdraft credit line by year end 2023. The Group's overdraft facility at Danske Bank is MUSD 15,0 of which a total of MUSD 0 is drawn.

Xellia Pharmaceuticals ApS, Xellia Pharmaceuticals USA, LLC and New Xellia Group A/S have joint and several liability for the unsecured Club Facility agreements with Danske Bank and Nordea. Xellia Pharmaceuticals USA, LLC is a subsidiary of Xellia Pharmaceuticals Inc. who is responsible for the B2I sales activity in the US as well as the manufacturing facility located in Cleveland, Ohio. In addition, the Group has a negative pledge associated with the Club Facility Agreement with Danske Bank and Nordea which limits the amount of security which the Group may offer to 3rd parties.

Xellia Pharmaceuticals ApS and New Xellia Group A/S have joint and several liability for the secured mortgage loan with Realkredit Danmark and the unsecured overdraft facility with Danske Bank as well the derivatives agreements with Danske Bank and Nordea.

Notes

21 Financial instruments

Forward exchange contracts

The overall objective of foreign exchange risk management is to reduce the short- term negative impact of exchange rate fluctuations on EBITDA and cash flow, thereby contributing to the predictability of the financial results.

The company hedges future expected EBITDA cash flows up to a maximum of 24 months forward. Hedge accounting is applied to match the impact of the hedged item and the hedging instrument in the income statement.

The foreign exchange contracts are entered into to hedge the functional currency equivalent of the predominantly USD dominated sales.

Xellia Pharmaceuticals ApS are exposed to variability in foreign currency on highly probable USD future income as well as highly probable future payments in DKK and HUF. Xellia Pharmaceuticals ApS expenses in DKK cover salaries and purchase of raw materials and services. Xellia Pharmaceuticals ApS expenses in HUF cover purchase of API and services delivered by Xellia Pharmaceuticals Ltd. (Hungary).

During 2023, the hedging horizon varied between 22 and 30 months for DKK and HUF. The average hedged rate for the forward foreign currency hedge contracts are 6.81 USD/DKK and 391 USD/HUF in 2023, 6.81 USD/DKK and 420 USD/HUF in 2024 and 6.77 USD/DKK and 377 USD/HUF in 2025.

There is no ineffectiveness at December 31, 2023, primarily because hedging instruments match currencies of hedged cash flows.

Derivative financial instruments are recognized at fair value based on a valuation report prepared by an external party who valuates the instruments based on discounted cash flows.

The company's foreign exchange contracts at the end of December are:

			Contractual value		Realized gains and losses recognised in income statement	
TDKK	Period	2023	2022	2023	2022
USD/DKK	< 1 year	678,198	669,327	30,529	7,578
USD/HUF	< 1 year	64,749	66,933	326	3,613
USD/DKK	> 1 year	649,597	694,427	0	0
USD/HUF	> 1 year	80,936	66,933	0	0
		1,473,480	**1,497,620**	**30,855**	**11,191**

Notes

22 Related parties and ownership structure

Controlling interest

Xellia Group ApS, Denmark holds the majority of the share capital in the company.
Xellia Group AS, Norway holds the majority of the share capital in Xellia Group ApS.
Otnortopco AS, Norway holds the majority of the share capital i Xellia Group AS.
New Xellia Group A/S, Denmark holds the majority of the share capital in Otnortopco AS.
Xellia Holdco A/S, Denmark holds the majority of the share capital in New Xellia Group A/S.
Novo Holdings A/S, Denmark holds the majority of the share capital in Xellia Holdco A/S.
Novo Nordisk Fonden, Denmark holds the majority of the share capital in Novo Holdings A/S.

Transactions

Pursuant to section 98c(7) of the Danish Financial Statements Act, transactions with related parties have not been disclosed in the financial statements as they have been made on an arm's length basis.

Ownership structure

According to the company’s register of shareholders, the following shareholder holds at least 5% of the votes or at least 5% of the share capital:

Xellia Group ApS, Dalslandsgade 11, DK-2300 Copenhagen S.
The company is included in the Group Annual Report of Novo Nordisk Fonden.

The Group Annual Report of Novo Nordisk Fonden may be obtained at the following address:
Novo Nordisk Fonden, Tuborg Havnevej 19, DK-2900 Hellerup.

23 Fee to auditors appointed at the general meeting

	2023 TDKK	2022 TDKK
Audit fee	1,200	1,081
Tax services	1,912	2,016
Other audit related fees	257	35
	3,369	**3,132**